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TAGS: [PREL](#) [EPET](#) [ETRD](#) [MOPS](#) [CN](#) [PK](#) [AF](#) [IN](#)

SUBJECT: GOI CONSIDERING RUSSIAN THRUST IN CENTRAL ASIA

REF: A. NEW DELHI 4353

[1](#)B. ALMATY 3075

Classified By: PolCouns Geoff Pyatt, for Reasons 1.4 (B, D)

[1](#)1. (C) Summary: As India perceives a shift by Central Asian nations toward their Soviet roots and increased competition from China, the GOI is taking a new look at how to orient its foreign policy in the region. Frustrated with the slow progress expanding influence in its extended neighborhood and concerned about being edged out by Sino-Russian consolidation, the GOI is considering whether to parlay its historically strong relationship with Russia into a quiet, but influential, partnership. After India's first turn as an observer in the Shanghai Cooperation Organization (SCO), the GOI hopes for full membership in the Central Asian group. Indian analysts have a variety of perceptions about the US role in what some call (erroneously) a new "Great Game", but all agreed that India is happy to benefit from its close relationship with Russia for greater influence in Central Asian trade, energy and counterterrorism efforts, especially as they perceive that US deference to Pakistan will limit greater GOI involvement in Afghanistan. Central Asia is of growing importance to US and Indian foreign policy, especially in Iran and Afghanistan, and we should look for additional ways to engage the GOI in this area with a view to avoiding any revival of the old Delhi-Moscow axis. End Summary.

India Feels Benched

[1](#)2. (C) India was invited for the first time to participate in the July 5 SCO as an observer, but aspires to early membership. Nivetida Das Kundu from the MOD supported Institute of Defense Studies and Analysis explained that the GOI indicated it was not content with the observer role, but sent Foreign Minister Natwar Singh anyway to mingle with top participants, including Pakistani Prime Minister Aziz and Iranian Vice President Arif. MEA Deputy Secretary for Eurasia Sandeep Chakravorty told Poloff in an August 3 meeting that India wants to be a full SCO participant, but understands the organization does not yet have rules for admitting new members. He clarified that domestic engagements on July 5 and the G-8 in Scotland on July 6 prevented the Prime Minister from attending the Astana meeting. Chakravorty indicated that India's SCO priorities are counterterrorism and energy cooperation, but as an observer, the delegation had not been able to participate in decision making. Noting that the discussions about US bases in Central Asia had taken place in a private meeting closed to India, he said that the GOI had not been involved in the SCO's deliberations on US presence and considered it a bilateral matter between Washington and governments of the region. Other senior officials have expressed GOI support for continued US military presence in Central Asia, especially insofar as this helps preserve stability in Afghanistan and prevent a resurgence of Pakistani/ISI influence.

Struggling for Energy and Trade

[1](#)3. (C) Despite top level speeches about the importance of Central Asia and a 2003 "Focus CIS" MEA policy (Ref A), India has enjoyed only limited success. As Das Kundu summarized recently, "India had high expectations for trade and energy deals with Central Asia, but has been disappointed with what it found." Nirmala Joshi, the Director of the India-Central Asia Foundation, complained that India "hasn't made a dent" because MEA "can't implement their vision for the region and the government's priorities are elsewhere." MEA's Chakravorty elaborated on the "barriers" to India's relationship with Central Asian countries. Since these countries were relatively closed until the breakup of the Soviet Union, India got a "late start and has a long way to go" in forging closer ties. Unlike Russia and China, which have natural frontiers with Central Asia, India's lack of direct transportation links complicate people to people contacts and potential energy trade.

[1](#)4. (C) ORF's Unnikrishnan observed that India's energy options have been narrowed to Turkmenistan and Kazakhstan, where any eventual energy trade will require problematic pipelines. According to Professor Joshi, India is now considering a more complicated "oil swap," through which

India would pay Kazakhstan to send its oil via the Caspian Sea to refineries in Northern Iran, after which Iran would send an equivalent amount of oil from southern wells by sea to India. After entering the markets of Central Asia, some Indian businesses have struggled to make profits. Ajanta Pharma, a mid-size Indian pharmaceutical company, recently pulled out from its joint ventures with the governments of Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan. Unnikrishnan noted that while some businesses are continuing to invest, instability has affected the investment climate negatively. Jawaharlal Nehru University Professor Gulshan Sachdeva agreed that these countries are facing a "serious perception problem" in India due to their lack of institutions, law and stability.

Indian Outpost in Tajikistan

15. (C) India has been quietly developing a small military facility in Tajikistan since 2002. Located between Pakistani Kashmir, Afghanistan and Central Asia, it represents a strategic forward location for GOI foreign policy. JNU's Professor Sachdeva explained that the GOI has never "officially mentioned" the base, so information about it varies widely among the strategic community in Delhi. Most accounts describe a hospital in Farkhor which was used to support the Northern Alliance and later converted into a small military facility. Other experts say that India was awarded a contract to upgrade and use an air strip, which may be Russian, in Aini. We would welcome any recent information Embassy Dushanbe can provide.

China and Russia Get Into the Action

16. (C) Central Asian analysts in Delhi worry that the perceived Russian and Chinese consolidation in the area threatens GOI foreign policy goals in economics and energy. Despite lingering Indian suspicion of Russian and Chinese intentions, Professor Sachdeva speculated that Central Asian regimes have become even more suspicious of US influence. Analysts in New Delhi fear that Russia and China are making a power play to regain influence by playing on Central Asian fear of US-sponsored democratic movements. According to Sachdeva, the combination of Russian military might and Chinese economic power makes India both uncomfortable and more determined not to lose out in what some have been quick to christen a new "Great Game." India-Central Asia Foundation Director Joshi argued that Central Asia was more or less united under the "War on Terrorism," but is now being pulled in multiple directions. As a result, India is having trouble competing against US, Chinese and Russian influences. "India," she forewarned, "is going to have to make some very difficult choices in the region" about how to regain influence.

17. (C) India is unable to compete against China's effective combination of money, access and proximity. Professor K. Warikoo, the Director of the Central Asian Studies Program at JNU, worried that India's inaction has left more room for China's expanding influence. Beijing spends so much money building infrastructure such as railways and pipelines, he observed, that India can't keep up. Assistant Editor for the "Himalayan and Central Asian Studies" Dr. Sharad Soni suggested that Chinese money, used to pay off local officials and businessmen in energy rich Central Asian countries, gives them an edge over Indian businesses in securing oil and gas deals. Warikoo added that close ties between China and Pakistan have "cornered India out."

India Looks for a Clubhouse Leader

18. (C) As it grows frustrated with trends in Central Asia, Indian analysts speculate that the GOI is looking for a quiet partner, most likely Russia, to preserve and expand influence in the region. Professor Sachdeva believes MEA has realized that India is not yet strong enough to have an effective independent policy and should instead look to play a partnering role. Concerned about Central Asian regimes' negative attitudes about American influence and Chinese positioning, Sachdeva suggests that the GOI "has chosen Russia as a partner in Central Asia." Das Kundu agreed that there has been a "policy shift to draw on the strong relations with Russia." (Note: This thinking may have contributed to the flurry of Indian visits to Russia in May and June of this year as described in Ref B. End note.) When asked about Indo-Russian cooperation in Central Asia, MEA's Chakravorty replied that Indian policy is always independent but the GOI is looking for ways to "develop policy in conjunction with Russia." India "would like" closer cooperation but doesn't have any concrete proposals in the region yet.

19. (C) ORF's Unnikrishnan predicted that in the short-term, India sees the greatest trade and energy advantages in a

Russian partnership. JNU's Joshi agreed, saying that India understands that Russia dominates the energy field, and realized that "if they want a greater role, it will have to be with Russia." However, Unnikrishnan is worried that the GOI has sacrificed a "holistic approach" in exchange for immediate gains in these areas. With this in mind, the ORF has launched a "Task Force on India-Central Asia" to determine "whether India has sufficient commonality of interests with Russia" and "whether the association carries negative or positive baggage." Sachdeva commented that this partnership was not a sustainable policy, because in his opinion Central Asia's long term interests do not coincide with those of Russia.

10. (C) The only dissent we heard came from SAPRA's Banerjee, who observed that closer Russian cooperation would actually bring significant disadvantages. He cited Central Asian resentment towards Russia, competition over energy supplies, and Russian dissatisfaction with the Indian base in Tajikistan as examples. Nevertheless, Joshi predicted that India will downplay its US ties in the region in order not to upset Russia or hurt its chances of SCO membership. JNU's Sachdeva stressed the positive effects of a stronger US role in Central Asia, but admitted he was of a minority opinion in this regard.

Indian Oil Venture Cries Foul and Asks Russians to Referee

11. (C) As an indication of Russia's expanded influence, an Indian oil venture between state-owned ONGC and the private company Mittal Energy asked the Russians for help in its latest energy bid. When the Chinese National Petroleum Corporation (CNPC) won the takeover of Canadian-based PetroKazakhstan Inc. on August 22, Delhi-based newspapers claimed foul play, alleging that the Indian company was not given a chance to rebid after CNPC upped the price. The deal is waiting for GOK approval. Almaty has supported Russia's Lukoil in the past (Ref B) and the "Times of India" reported on August 25 that the company's partnership in PetroKazakhstan gives it the right to block the deal. The GOI has thus far stayed out of the affair, but ONGC officials reportedly traveled to Russia to try to persuade Lukoil to block the CNPC deal.

Comment

12. (C) Indian partnership with Russia in Central Asia is a short-sighted policy, induced by Delhi's frustration with Chinese and Russian consolidation, unsecured energy deals, a deteriorating business environment, barriers to trade through Afghanistan and increasing Chinese infrastructure projection into Central Asia. As we create an expanding Indo-US agenda, we should look for ways to improve policy coordination on Central Asia, building on our successful partnership in Afghanistan and converging interests on issues of terrorism, democracy and radical Islam.

13. (U) Visit New Delhi's Classified Website:
(<http://www.state.sgov/p/sa/newdelhi>)
BLAKE